Audit's NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

Realty Trust Review

August 12, 1974 Vol. V, No. 15

VALUE GUIDE TO TRUSTS REVIEWED THIS ISSUE

Trust	Port. Yield	-6Mo. Last	Port.Chng.- E Next	Lever. Ratio	Price	Ann. Yield*	Div. Reinv.	Page
Alison Mtg.	13.02%	13%	5%	2.16	$10.00	31.2%	No	2
Amer. Realty	10.91	12	-6	1.60	3.75	0.0	Yes	6
Barnett Winston	12.57	17	5-8	0.47	6.88	23.2	No	3
Citizens Growth	12.22	29	5	1.74	4.75	35.3a	No	8
CleveTrust Rlty.	12.85	14	-4-8	2.03	5.00	8.0	No	4
Diversified Mtg.	12.30	11	2-4	1.66	4.75	14.3a	No	5
First Virginia	12.17	16	0	1.29	5.25	22.8	No	4
Pease & Elliman	11.89	10	0	0.77	4.75	0.0a	No	6
Virginia REIT	11.25	-3	0	2.24	4.00	0.0a	No	7
AVERAGES	12.13%	13%	1%	1.55		15.0%		

*Based on annualized latest quarter. a-See text for dividend outlook.

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

INTERMEDIATE TERM MORTGAGE AND SMALLER EQUITY TRUSTS HAVE LIMITED APPEAL

The nine intermediate-term mortgage and smaller equity trusts reviewed this issue are being buffeted by industry pressures just as much as the major trusts. Yet they hold more promise of overcoming their problems and thus have slightly better speculative recovery potential. Citizens Growth Properties is a case in point: CGP was well along in assembling an interesting and maturing portfolio when it was hit by uncertainty when Commonwealth Corp., a Florida mortgage banker, filed bankruptcy June 24 and cast doubt upon the status of $4 million of CGP loans being serviced by Commonwealth.

As this is written, one major cloud that's been overhanging the market for months appears to be lifting. Uncertainty over President Nixon's continuation in office is being resolved and transfer of power to Vice President Ford appears imminent. The market has rallied strongly on the prospects but we urge caution since the transition is not likely to change any of the economic and financial fundamentals now hobbling real estate and development. Money is likely to remain tight for some time and inflation will be a long time in abating. Slowing population growth augurs slower economic growth ahead.

For REITs, problems are all too apparent. Mortgage portfolios, held back by usury

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FIVE KEY RATIOS

	Loss* Res.	Non-earn. Inv.#	Exp. Ratio#	-Floating Port.	Rate- Funds
Alison Mtg.	0.31%	7.9%	1.42%	55%	68%
Amer. Realty	0.86	None	0.75	9	41
Barnett Winston	1.02	9.9	1.49	N.A.	32
Citizens Growth	0.19	0.8a	1.16	24	20
CleveTrust Rlty.	0.68	12.5	1.15	35	57
Diversified Mtg.	1.38	14.2	1.33	30	62
First Virginia	0.60	12.0	1.27	56	74
Pease & Elliman	0.30	7.7	2.24	44	32
Virginia REIT	4.31	6.4	1.83	10	27
AVERAGES	1.07%	7.9%	1.40%	33%	48%

*Based on mtg. investments. #Based on gross portfolio.
a- Excludes $4.0M, or 9.0% of loans serviced by Commonwealth Corp., see text.

laws and problem loans, have reached yield ceilings (the nine reviewed have a composite 12.13% yield, barely above the prime rate). Growth in fundings has shriveled to nothing. The commercial banks realistically are managing the affairs of most short-term mortgage REITs and they are not going to permit higher leverage ratios and portfolio growth until the storm clouds abate, which may be measured in years instead of months.

This leaves the REIT investor with limited options: stay with current holdings; liquidate and take losses; shift funds into more promising situations with recovery potential. We think it is too early to move back into short-term mortgage trusts and have been focusing on equity and intermediate- and long-term mortgage groups. Of the issues reviewed, Citizens Growth, Pease & Elliman Realty and Barnett Winston appear to have speculative recovery potential, although all have the risks of relatively new and unseasoned portfolios. Alison Mortgage has maintained earnings despite drag of problem loans.

INDUSTRY NEWS NOTES: The old problem of accrual on loans in difficulty surfaced in the proxy statement filed by Cabot, Cabot & Forbes Land Trust for its proposed takeover of ICM Realty. Attn. was called to the accruals in a Wall Street Journal article Aug. 6.

ALISON MORTGAGE INVESTMENT TRUST (10--NYSE-AMV) FY Oct. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
7/73	$176.1M	12.63%	14.42%	$0.76	$0.76	$29.00-23.25	13.1-10.5%
10/73	204.4	13.53	14.45	0.77	0.77	29.50-26.00	11.9-10.4
1/74	223.4	13.42	14.83	0.78	0.78	29.00-17.50	17.8-10.8
4/74	231.7	13.02	14.79	0.78	0.78	23.50-17.00	18.4-13.3

Portfolio dynamics: Portfolio increased 13% in the latest six months and was 44% constr. and devel., 23% intermediate, 16% wrap-around, 8% each land loans and land purchase leasebacks and 1% real estate owned (property acquired through foreclosure). Management is not making any new commitments and expects the portfolio to remain in the $235-$250M range for the next six months, with little or no change in portfolio composition. The portfolio by property type was 23% condominiums, 18% apartments, 12% office buildings, 8% land purchase leasebacks, 7% each hotels and motels, land development, vacant land, mobile home parks, 6% shopping centers and 5% industrial buildings. Investments are in 27 states and P.R. with concentrations in Tex. (31%), Fla. (16%), La. (10%) and Calif. (9%). About 60% of the mortgage portfolio is presently floating with market rates so that effectively some 55% of the entire portfolio floats. At June 30, the trust had about $19.0M in non-earning assets, including both delinquent loans and foreclosed properties. The $19.0M was 7.9% of the portfolio. The trust also had $11.0M of restructured loans on which it is receiving interest but below the rate of the original loan. This $11.0M was 4.6% of the June portfolio and is not included in the non-earning category in the table on p. 2.

Financing: Trust is funded 32% by capital and 68% by non-convertible debt. Capital of $76.1M is 63% in equity with 2.34M shares, 4% in two (6-3/4% and 7%) convertible subordinated debentures and 33% in 8-3/4% senior subordinated notes. Debt of $164.4M is 73% in short-term bank loans, 15% in senior term loan, 9% in commercial paper and 3% in other short-term loans. Some 68% of total funds float with market rates. Trust has total

domestic bank lines of $120M with 21 banks. It also has $30M in Eurodollar lines. Commercial paper is sold through Lehman Bros. and carries F-2 rating from Fitch. The commercial paper is backed by letters of credit. Sponsor: Alison Mortgage Co., Los Angeles mtg. bankers. Results and outlook: An increase in the amount of problem loans from about 6% in Apr. to about 7.9% in June will have a negative effect on July results. This and the high interest rates, causing a negative spread between borrowing and lending, will put further pressure on July results. A modest growth in fundings is a plus. Continued high rates, workout time for non-earning assets and lower yielding restructured loans all will put pressure on near term earnings. Shares are down about 20% from the beginning of the year and sell at about one-third below book. They have investment appeal only for the long-term. (VCK)

BARNETT WINSTON INVESTMENT TRUST (6-7/8--OTC-BWITS) FY Sept. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
9/73	$61.3M	15.29%	10.71%	$0.50	$0.50	$19.75-16.00	12.5-10.1%
12/73	69.9	13.73	8.15	0.53	0.53	20.25-13.00	16.3-10.5
3/74	77.7	13.87	10.38	0.56	0.53	18.50-14.50	14.6-11.5
6/74	82.1	12.57	8.64	0.40	0.40	15.00-7.50	21.3-10.7

Portfolio dynamics: In the past six months the portfolio increased by 17% and we look for 5-8% gains in the portfolio in the next six months. Trust is not making any new commitments and growth will come from funding existing commitments. The latest portfolio was 40% intermediate, standing loans, 26% land and development, 12% construction, 8% land purchase leasebacks, 7% junior, 5% wrap-around, and 2% long-term. By type of project, intermediate loans were 56% apartments, 20% condominiums, 19% hotels and motels and 5% office buildings. Land and development loans were 70% residential development, 16% commercial development and 14% land. Construction loans by project type were 44% condominiums, 41% office buildings and 15% apartments. Investments are located in 14 states with 51% in Fla. The majority of mortgages are tied to market rates but management has not disclosed the exact amount of loans still floating. At June 30, 1974 the trust had three loans for $8.1M or 9.9% of the portfolio on which it was not recognizing interest. One $1.9M loan on 85 acres of commercial land near Dallas, Texas is in foreclosure process. Trust states that land value is well above loan value. The second loan for $3.1M is on a 200-unit garden apartment complex in Jacksonville, Fla. The trust has modified the interest rate and will begin accruing interest Aug. 1. The third loan for $3.1M on a 99-unit, 14 story apartment house in Miami, Fla. has been restructured and trust will begin accruing interest once occupancy reaches certain levels. Trust will also receive 25% of any profits from sale of this property.

Financing: Trust is funded 68% by capital and 32% by non-convertible debt. Capital of $60.1M is half in equity with 1.66M shares and half in 8¼% convertible subordinated debentures. Debt of $28.5M is 98% in short-term bank notes and 2% in commercial paper. Total bank lines are $44.6M, including $36.6M in domestic bank lines with 12 banks and $8.0M in foreign bank lines with 5 banks. Presently some $28.0M of bank lines are in use. Trust's commercial paper is sold directly and has an F-1 rating from Fitch. Some 32% of total funds float with market rates. Trust's low leverage ratio will permit it to draw on existing bank lines to meet new fundings. Sponsor: Barnett Banks of Fla., second largest Fla. bank holding company. Results and outlook: Higher interest costs, loss of revenue due to non-accruing loans and a significant addition to the loan loss reserve of about $0.17 per share caused the drop in June qtr. earnings and dividends. Trust appears to be working out of its problem investments. If high rates continue trust's earnings will remain under pressure but the impact will be moderate since only some 32% of borrowed funds are floating. (This number may increase as trust uses more bank lines to fund commitments.) Trust shares, down about 50% from the beginning of the year and selling at less than half book value, have a bit above-average speculative recovery potential. (VCK)

CLEVETRUST REALTY INVESTORS (5--OTC-CTRIS) FY Sept. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
9/73	$104.9M	12.38%	9.23%	$0.39	$0.45	$21.38-18.25	9.9-8.4%
12/73	115.9	13.02	9.45	0.40	0.40	21.75-13.75	11.6-7.4
3/74	125.3	12.08	6.60	0.26	0.26	17.25-14.00	7.4-6.0
6/74	131.5	12.85	3.35	0.10	0.10	15.00-6.25	6.4-2.7

Portfolio dynamics: The latest portfolio was 58% short-term, 22% long-term and 20% real estate owned. Contained in the real estate owned is a $1.2M townhouse project in Kent, Wash. acquired through foreclosure following the bankruptcy of Walter J. Kassuba. The townhouse is now completed and being leased but is not currently producing income to the trust. In the latest six months, investments grew 14% but the portfolio should contract $5-$10M in the next six months, a 4-8% drop in fundings. No new commitments are being made. Investments are located in 23 states with about 66% in Tex., Ohio, Ill., Fla., and Colorado. Although about 78% of short- term loans are tied to market rates, only about 60% of short-term loans are presently floating. Therefore some 35% of the entire portfolio floats with market rates. In addition to the $1.2M of foreclosed property, the trust is not accruing interest on $15.2M of loans, bringing total non-earning assets to $16.4M or 12.5% of the June portfolio. Details on the $15.2M of non-earning loans were not disclosed.

Financing: Trust is funded 33% by capital and 67% by non-convertible debt. Capital of $46.4M is all equity with 2.53M shares. Debt of $94.2M is 57% in short-term bank loans, 28% in commercial paper and 15% in mtg. The trust currently has $87M in bank lines with about 13 banks. The commercial paper is sold through Lehman Bros. and holds a Moody's rating of P-1 (LOC). Of total funds, some 57% float with market rates. Sponsor: The Cleveland Trust Co., largest bank in Ohio. The adviser of the trust is a wholly-owned subsidiary of Cleveland Trust as of Jan. 1, 1974. The trustees reduced the advisory fee on the trust's long-term mtg. and equity investments effective April 1, 1974. This could increase earnings modestly. Results and outlook: The fall in trust's earnings and dividends in the past six months was due to higher interest costs, larger additions to the loan loss reserve and significant non-earning investments. The persistance of high rates will continue to squeeze earnings and dividends due to the negative borrowing-lending spread. Non-earning assets will also depress near- term results because of time needed to resolve problem areas. Trust shares now selling at about 40% of book value have suffered about a 50% drop in price since the beginning of the year. Shares have some investment appeal but will remain under pressure until rates come down and problem areas become more manageable. (VCK)

FIRST VIRGINIA MORTGAGE AND REAL ESTATE INVESTMENT TRUST (5¼--ASE-FVM) FY June 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
9/73	$ 87.5M	11.95%	6.63%	$0.39	$0.40	$24.25-20.50	7.8-6.6%
12/73	96.9	12.91	7.13	0.41	0.42	22.38-10.25	16.4-7.5
3/74	101.3	12.17	8.04	0.47	0.42	14.50-11.00	15.3-11.6
6/74	N.A.	N.A.	N.A.	(1.21)*	0.30	11.50-5.25	22.9-10.4

*Net income for the year ended June 30, 1974 amounted to $72,649 or $0.06 per share after an addition of $2,257,000 (or $1.87 per share) to the allowance for possible loan losses.

Portfolio dynamics: During the six months ended Mar. 31 the portfolio increased by 16%. Management expects the portfolio to remain at about the March level for at least the next six months. No new commitments are being made. At Mar., investments were 72% short-term loans, 21% intermediate term loans, 4% junior, 2% land purchase leasebacks and 1% long-term loans. By type of project, the Mar. portfolio was 24% condominiums, 16% office buildings, 15% rental apartments, 9% each townhouses and shopping centers, 8% motels, 6% each single-family and industrial, 4% campsites, 2% mobile home parks and 1% land devel. projects. Investments are located in 12 states and Wash. D.C. with concentrations in Va. (31%), Fla. (24%) and Md. (13%).

About 56% of investments float with market rates. At June 30, the trust had 8 loans for $12,325,000 or 12% of the portfolio on which it was not recognizing interest. Of these loans four totalling $2,713,100 are in foreclosure process. Details on these non-earning assets were not available.

Financing: Trust at Mar. was funded 44% by capital and 56% by non-convertible debt. Capital of $48.2M is 58% in equity with 1.21M shares and 42% in floating rate (8-12%) senior subordinated notes. Debt of $62.0M is 84% short-term bank notes and 16% term loan. Some 74% of funds float with market rates. Trust has bank (short-term) lines of $55M and $10M in a term loan. Sponsor: First Virginia Bankshares Corp., a Virginia bank holding company. Effective Jan. 1, 1974 the advisory fee was reduced from 1.5% to 1.3% of earning assets, defined as funded balances of real estate related investments. Also the advisory contract was amended at that date to eliminate a provision allowing the adviser to receive servicing fees. Results and outlook: Trust's year end results were hurt because of the significant addition to the loan loss reserve. Outlook for the near term does not appear too good due to the high interest rates and the negative spread between funds borrowed and funds loaned. Problem loans will also be a drain on near term results. Shares which are down about 50% from he beginning of the year and are selling at about one-quarter of book value have little near-term investment appeal. (VCK)

DIVERSIFIED MORTGAGE INVESTORS (4-3/4--NYSE-DMG) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
9/73	$330.9M	15.20%	14.59%	$0.73	$0.73	$24.63-20.88	14.0-11.9%
12/73	343.1	14.81	13.46	0.68	0.68	24.88-13.25	20.5-10.9
3/74	367.9	13.42	11.65	0.58	0.58	17.25-13.13	17.7-13.4
6/74	380.0	12.30	5.79	0.29	0.17	14.63-5.00	13.6-4.6

Portfolio dynamics: Portfolio grew 11% in the six months to June and had the following maturity distribution: 44% less than three years; 28% three to five years; 19% five to ten years; 9% over 10 years. The portfolio by type of loan was 37% secondary and retirement homesite, 31% income producing property, 15% unimproved land loans, 13% primary homesite and improved land, 3% construction loan participations and 1% other. Income producing property loans by property type were 29% theme parks and amusement facilities, 24% hotels and motels, 23% office buildings, 7% each mobile home parks and shopping centers, 5% apartments, 4% medical and hospital and 1% other. Geographic distribution by region is 40% eastern, 33% central and 27% western. Major borrowers from the trust include Great Southwest Corp., $34M secured by amusement parks; Shastina Properties and subsidiaries, $21M secured by recreational community land; Great Western Cities, $28M and also Sea Pines where 10% of shares is owned. Due to liquidity problems trust is not making any new commitments. Management expects a slight gain in fundings in next six months as existing commitments are funded. Some 30% of loans presently float with market rates. At June 30, about $54M of loans were non-earnings, or about 14.2% of portfolio. Another $2.4M of loans are delinquent but the trust is still accruing interest. The largest loan in the $54M amount is a $17M participation in the One Biscayne office building in Miami, Fla. This 40 story, 630,000 sq. ft. building, presently about 15% occupied, is being taken over by the lead lender, Continental Mtg. Inv., and sale is being negotiated.

Financing: Trust is funded 38% by capital and 62% by non-convertible debt. Capital of $149.5M is 99% in equity with 7.33M shares and 1% in 6½% convertible subordinated debentures. Debt of $248.0M is 45% in short-term bank notes, 42% in interim notes, 11% in a revolving credit agreement and 2% in commercial paper. Some 62% of funds float with market rates. Trust has bank lines of $120.8M with 40 banks. Commercial paper sales, generally sold through Lehman Bros. have been off sharply. The paper carries a F-2 rating from Fitch. In April, Moody's dropped its rating on DMG's commercial paper. Sponsor: Continental Investment Corp., a financial holding company which is facing liquidity problems. Results and outlook: Latest quarter results were off sharply due to higher interest costs, a decline in gross revenue due to significant problem loans and a large addition to the loan loss reserve of $1.13M or $0.15 per share. Trust recently announced it is facing liquidity problems which may cause a div-

idend deferral in the Sept. quarter. The negative spread between funds floating and portfolio floating adds to problems. Trust shares are down 70% from Jan. 1 and sell about a quarter of book value. Despite this the shares have little near term appeal because of concentration in recreational properties. (VCK)

PEASE & ELLIMAN REALTY TRUST (4-3/4--ASE-PNE) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
9/73	$24.2M	13.12%	10.07%	$0.44	$0.45	$15.13-13.00	13.9-11.9%
12/73	30.8	12.40	10.56	0.47	0.50	16.25-10.00	20.0-12.3
3/74	33.1	11.67	8.71	0.38	0.40	13.13-9.75	16.4-12.2
6/74	33.9	11.89	7.82	0.34	0.00*	10.63-6.50	----------

*Dividend deferred.

Portfolio dynamics: Fundings increased 10% over the past six months and management expects portfolio to remain unchanged in the next six months. No new commitments are being made. The June portfolio was 40% land purchase leasebacks, 22% land loans, 19% construction, 11% in ownership of a shopping center, 7% second mortgages and 1% in property acquired through foreclosure. Portfolio by property type was 41% garden apartments, 26% shopping centers, 9% office buildings, 6% each apartments and recreational, 5% single- family, 4% a complex (shopping mall, office building, apartments) and 3% in a home for adults. Investments are located in 14 states with about 39% of the portfolio in N.Y. and Mass. Except for two loans, all mortgages are presently floating with market rates so that 44% of the portfolio is floating. Trust has non-earning loans amounting to $2.6M or 7.7% of the June portfolio. The largest loan is a $2.0M land purchase/leaseback on a resort complex in Mt. Snow, Vermont. The owners of the complex are presently negotiating restructuring of the loan, now over two months in arrears. The second non-earning loan is a $450T land purchase/leaseback on an apartment in Fla. The owner (B&T Properties Inc.) has filed in Chapter 10 and the trust is awaiting official court order to take over the property. The last non-earning asset is a $157T garden apartment in N.C. acquired through foreclosure. Trust hopes to sell this property.

Financing: Trust is funded 57% by capital and 43% by non-convertible debt. Capital of $20.3M is all equity with 1.11M shares. Debt of $15.6M is 75% in short-term bank notes and 25% in mtgs. Some 32% of the trust's funds float with market rates. Trust's bank lines total $12.8M with four banks. Sponsor: Pease & Elliman Inc., a New York City real estate company. Results and outlook: Significantly higher interest cost was the main reason for the drop in the June quarter earnings. Trust decided to defer dividend payment in the June quarter because of the non-earning status of its $2.0M loan in Mt. Snow, Vermont. A resumption of dividends in the Sept. quarter depends upon this loan's resolution. Trust's quality portfolio and "positive" spread between funds borrowed and funds loaned should aid earnings results. Shares are down about 50% from Jan. 1 and sell at about 30% of book. Shares possess speculative recovery potential in a better money and real estate environment if some problems are worked out. (VCK)

AMERICAN REALTY TRUST (3-3/4--ASE-ARB) FY Sept. 30 Quar. Po

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
6/73	$49.3M	14.24%	15.44%	$0.28	$0.30	$10.88-9.88	12.15-11.03%
9/73	46.7	12.76	9.29	0.12	0.25	10.88-10.00	10.00-9.19
12/73	52.7	12.49	10.47	0.15	0.15	11.00-7.13	8.42-5.45
3/74	52.1	10.91	8.93	0.11	0.00*	9.50-6.50	0.00-0.00

*Paid 2½% stock dividend in lieu of $0.15 quarterly.

Portfolio dynamics: The portfolio increased 12% in the six months to March. The level will dip from here by a few million in the mortgage sector as loans expire. Nothing will be added. Real estate equity accounts for 73% of the portfolio and mortgages 27%. The mix of equity was about 47% motels/hotels, 8% office buildings, 7% restaurants (Gino's), 16% vineyards and 22% unimproved land (mostly a parcel in down-

town Atlanta). Mortgages are 66% short-term firsts and 34% longer term juniors. A significant portion of both categories are land acquisition and land development. Both equity and mortgage activity are geographically oriented around Washington, D.C. area and nearby Virginia and Maryland save for vineyard acreage in northern California and the downtown Atlanta, Ga. parcel. The downtown Atlanta parcel could evolve into the trust's largest single holding. Purchased for $6M in 1973 ($24/sf for the 5.9 acres) the trust entered into a joint venture agreement with a subsidiary of Helmsley Enterprises, majority owned by New York realty man Harry Helmsley, for the property's development. It is zoned for a multi-purpose complex which could include a hotel, an office building, condominium apartments, a shopping area and a convention center. Potentially massive, development will depend on obtaining large financing. Much of the hotel business is dependent on tourist travel to the capital and Virginia. Such traffic was curbed last winter by the gasoline shortage but picked up somewhat in the late spring. Most of the mortgage investments were at fixed rates early in 1974 leaving only 3% of the total portfolio floating with market rates. As loans were renegotiated, about 9% of the portfolio now floats. No loans are considered problems but extensions are being granted.

Financing: Trust is funded 39% capital and 61% non-convertible debt. Capital of $21M is 76% equity with 2.17M shares, 10% of 7% conv. debentures and 14% of 9½% non-convt. subord. debent. Senior and non-convt. debt of $33.6M is 67% short-term bank loans and 33% mtg. Thus 41% of all funds float. A $15M offering of 9½% subord. debent. was undertaken in Mar. 1974 under a best efforts offering but only $3.5M was sold. No further financing is possible in today's atmosphere. Bank debt will be maintained and worked down when repayments permit. Sponsor: Trust is managed by its ten trustees. Results and outlook: Profits have been greatly squeezed by the imbalance of floating debt during high interest rates as compared to the limited amount of floating loans. The trust has been unable to lengthen debt maturity at fixed rates. These conditions will continue until loans and short-term debt are worked off. Recovery, a long way off unless interest rates fall, could be aided in 1976 when the nation's Bi-Centennial attracts tourists to the Washington, D.C. area and benefits the trust's hotels. The largest potential long-term factor is of course the downtown Atlanta development. (BS)

VIRGINIA REAL ESTATE INVESTMENT TRUST (4--OTC-VARES) FY Dec.31

Quar.	Port.	Port.Yld.	Cap.Ret.	Cash Flow	Div.	-Price range-	-Yld.range-
9/73	$41.8M	11.41%	10.40%	$0.33	$0.30	$18.75-12.00	10.0-6.4%
12/73	47.2	12.89	8.72	0.32	0.25	14.50-8.00	12.5-6.9
3/74	46.9	11.24	8.04	0.19	0.09	10.50-8.00	4.5-3.4
6/74	46.0	11.25	0.00	0.20	0.00*	9.75-4.25	----------

*Dividend omitted.

Portfolio dynamics: In the past six months the portfolio declined by 3% and management expects no investment growth in the next six months. New commitments are not being made nor will they be made for the remainder of the year. The portfolio was 69% real estate owned, 13% constr., 11% land acq. and devel. and 7% other mortgage. Real estate owned by type of project was 50% shopping centers, 23% apartments, 13% office buildings, 12% other and 2% land leasebacks. Investments are located in 5 states and Wash. D.C. with concentrations in N.C., Md. and Va. About one-third of the mtg. portfolio floats with prime so that some 10% of total investments float. The trust has four non-earning loans amounting to $2.94M or 6.4% of the June portfolio. Three loans for $2.2M are to one borrower but details of the loans were not disclosed. The last loan for $742T is a land loan in Charlottesville, Va. Interest on the loan has not been accrued since April 30, 1972. The $742T includes principal and interest on the loan as well as real estate taxes and other costs paid by the trust.

Financing: Trust is funded 31% by capital and 69% by non-convertible debt. Capital of $14.6M is all equity with 1.28M shares. Debt of $32.7M is 39% in short-term bank notes and 61% in mtg. Some 27% of funds float with market rates. Trust has $13.6M in

bank lines with six banks. These lines are presently being restructured into a two-year term loan agreement. Sponsor: Independent. Effective Aug. 1, 1974 the trust became self administered. The trust recently terminated its advisory contract with Investment Service, Inc. Shareholders approved a proposed advisory contract at the annual meeting on May 2, 1974 between the trust and VNB Realty Consultants Corp., a subsidiary of Virginia National Bank. However VNB terminated negotiations because of possible conflicts of interest since Virginia National Bank is the trust's leading lending institution. Trust will be self-administered. Results and outlook: A drop in gross revenues for the June qtr. coupled with higher interest costs and a significant addition to the loss reserve of $400T ($0.31 per share) in the June qtr. caused a deficit. As a result the dividend was omitted. Since the trust is so heavily invested in equities, cash flow seems to be a more appropriate figure to watch. High interest costs will continue to plague results as will the non-earning assets. However, earnings from equities should keep the income stream steady and if another large addition to loss reserve is not taken, there should soon be an improvement. Shares down about 50% from Jan. 1 and selling at about 30% of book have longer-term investment potential. (VCK)

CITIZENS GROWTH PROPERTIES (Est. 5--OTC-CITGS) FY Jan. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
7/73	$35.0M	12.44%	10.44%	$0.41	$0.40	$17.13-14.25	11.2-9.3%
10/73	34.5	12.53	10.95	0.41	0.41	15.13-14.13	11.6-10.8
1/74	37.5	14.85	12.32	0.41	0.42	15.63-12.00	14.0-11.5
4/74	44.5	12.22	11.37	0.32	0.42	13.25-12.25	13.7-12.7

Portfolio dynamics: This predominantly equity portfolio grew by 29% over the past six months but growth will slow as funding sources tighten. Holdings at April 30 were 71% properties, 8% mortgages with equity conversion features and 21% mortgage loans. Property holdings were 28% office buildings, 8% land beneath office buildings leased to owners, 36% motels, 17% warehouse/industrial, 8% apartments, and 2½% land primarily leased to a car wash operator in the Detroit area. By far the largest holding is the $8.9M three-building, 282T sq. ft. National Foundation Center in Oklahoma City. The trust recently acquired the third building in the complex, completing ownership. Buildings are 93%, 73% and 87% occupied. Motel holdings were expanded to $14.7M with two acquisitions during the Apr. qtr. and trust now owns eight motels in Texas (nearly all Ramada Inns) with 833 units and the 124-unit Sheraton Inn in Springfield, Ill. Two Texas motels were acquired by exchanging 102,507 shares valued at $1.47M (or at $14.34 per share market vs. $17.90 book value). Land is owned beneath a 101T sf office building fully leased in Southfield, Mich. a medical office building of 82T sf about 33% leased in Columbus, Ohio and an office and plant structure in Los Angeles. Four warehouses of 100T sf each in the Cleveland area are essentially 100% leased. Loans convertible into equity of property in development totaling about $3.6M give the trust stake in Scripps Mesa Shopping Center in San Diego plus multifamily and commercial developments in Florida and Georgia. Recently an 80T sf shopping center in Arlington, Tex. was added. Mortgage loans are about two-third land development and one-third construction. Interest is not being recognized on a $372T residential construction loan in Strongsville, Ohio. Trust holds $4M of loans being serviced by Commonwealth Corp., Tallahassee, Fla. mtg. banker which filed Chapter X June 24. Trust is petitioning bankruptcy court for release of its loans but status is uncertain.

Financing: Total funds of $46.5M are 36½% shareholders' equity (with 913T shares out) and 63½% debt. Debt is two-thirds mortgages on properties and one-third short-term bank lines under a $10.9M credit line. No new financing sought. Sponsor: Citizens Financial Corp., Cleveland-based financial holding company and also sponsor of National Mortgage Fund, a short-term trust. Results and outlook: April quarter earnings declined because of higher depreciation charges on the larger property holdings. Net cash flow was $0.43/share vs. $0.44/share. Trust paid about 87% of net cash flow in dividends last year, retaining 13% for expansion. In its two years of life this equity trust has made a good beginning, although some new buildings lack seasoning and thus are vulnerable to current rental sluggishness. Shares nosedived on news of Commonwealth involvement and one Cleveland brokerage firm is making a market at about $5 per share, although quotes are not being made regularly. Shares appear to have good speculative recovery potential assuming Commonwealth cloud is removed. (KDC)